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SUBJECT: AFGHANISTAN - AICC'S SECURITY AND CORRUPTION ROUNDTABLE

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#### SUMMARY

¶1. (SBU) Recent criminal activity directed at the business community has made many business leaders here nervous. At a roundtable discussion hosted by the Afghanistan International Chamber of Commerce (AICC), Deputy Minister of Interior Khalid joined other senior government and private sector stakeholders in publicly expressing support for the private sector. Each of the speakers at the event acknowledged the link between a stable security environment and a healthy private sector. To win the confidence of business leaders, the Ministry of Interior needs to improve its track record by cracking down on criminal activity directed at businesses (robberies) and business leaders (kidnappings for ransom). END SUMMARY

#### OVERVIEW

¶2. (U) The security and corruption roundtable, hosted by AICC, featured a number of high-profile speakers, including the Ministers of Agriculture and Commerce, the President of AICC, the Deputy Minister of Interior for Security, and the Parliament Chair of the Committee on Economy. The common theme among all the speakers was that business leaders must have confidence in the security environment for serious investment to take root in Afghanistan. The event attracted the major domestic media outlets and hundreds of members and private sector representatives.

#### HIGHLIGHTS

¶3. (U) The President of AICC, Azarakhsh Hafezi, kicked off the discussion by making several points. He first said that the security of Afghanistan's democracy and civil society is strengthened by the private sector. He mentioned, however, that not everyone in the government supports the private sector. Hafezi linked the issue of public servants' salaries to security. His position is that the GOA must improve the living standard for police if the security environment is to improve. According to AICC's National Business Agenda, security ranks as the number one concern

for business leaders in Afghanistan. Poor security has complicated AICC's efforts to raise the profile of investing in Afghanistan. (NOTE: Bank al-Falah, the National Bank of Pakistan, and a Turkish construction company were robbed in April. The Turkish company reportedly lost USD 300,000. In addition, kidnapping of business leaders for ransom is a common occurrence. END NOTE.)

¶4. (U) Deputy Minister of Interior Khalid said that poverty and unemployment are a threat to Afghanistan's security. DM Khalid pledged the Ministry of Interior's support for the private sector (a comment received with applause). He took stock of the improvements already made among Afghan police forces and, looking ahead, predicted the emergence of a stronger Afghan police force. He reported that the ministry has adopted a new system (involving training and recourse) to control and evaluate examples of corruption inside MOI.

¶5. (U) Minister of Commerce Farhang reiterated that commerce requires security. In support of his statement, he advised that he had recently reported to the cabinet that a company in Herat closed because of security concerns. Citing the string of robberies in Kabul, Farhang stressed that these thefts make foreigners hesitant to invest in Afghanistan. He urged the audience to report corruption instead of partaking in it. Finally, he mentioned the low salaries police are paid, but also noted that some countries pay their police even less and yet have better security.

¶6. (U) Lower House of Parliament Economy Committee Chair Kazeami laid out several actions that government should take: 1) consider rules and regulations to improve administrative stability; 2) coordinate and simplify GOA bureaucracy; and 3) engage with more than just ministry leadership with respect to corruption (i.e., spark a dialogue with deputies and mid-level bureaucrats about corruption). Kazeami urged business leaders to bring the private

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sector to the people; otherwise, he said, Afghans will think the private sector is just a temporary phenomenon. He also encouraged the private sector to work to pull itself together and speak with one voice.

¶7. (U) Minister of Agriculture Ramin expanded the scope of security to include the legal framework for the private sector, saying the legal community must ensure the business community is ruled by law. He urged Parliament to make the investment environment in Afghanistan friendlier to licit commercial activity and stressed that narcotics is a major challenge that Afghanistan will need to overcome.

¶8. (U) A representative of the Afghan Bank Association raised concerns with MOI about its requirement that the banking industry notify MOI two days in advance of moving cash and the lack of progress in investigating bank robberies. In the only other true roundtable moment of the event, Hafezi replied to the comment by Kazeami that the private sector should organize itself. Hafezi said the private sector is in fact organized and united under AICC, if only the government does not undermine this positive, self-initiated arrangement. (COMMENT: Hafezi was referring to a Commerce Ministry initiative to establish the old, state-run Afghan Chamber of Commerce and Industry as the legal, national chamber of commerce. END COMMENT.)

COMMENT

¶9. (SBU) Rising criminal behavior, including armed robberies and kidnapping for ransom of business leaders, is increasing the risk profile for investors in Afghanistan. The large turnout for this event is a strong indication of the level of concern among business leaders about the security environment. The credibility of the MOI is low because the business community is unaware of any successes in arresting and incarcerating thieves and kidnappers. This was not appreciably helped by the defensive tone of Khalid's remarks, which tended to confuse quantitative measures such as the number of new police added to the ANP with qualitative improvements that actually project an improved security environment to business leaders. This roundtable was another demonstration of AICC's ability to draw

senior officials to participate in its forums and to raise the profile of the concerns of Afghan business leaders.

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